

AR22

Sifton
Properties
Limited

Annual Report 1974

Nature and Purpose of Sifton. Sifton is a growth oriented, permanent enterprise dedicated to perform in an ethical and equitable manner.

We, as a responsive and responsible citizen and to maintain internal and external confidence in us, shall:

1. Affirmatively discharge all of our obligations and responsibilities.
2. Set and maintain high quality and environmental standards.
3. Meet or exceed all required governmental regulations.
4. Make significant contribution to the community and industry with all of our resources.

Sifton is in the business of building and selling purchase and rental homes of the highest value for income groups determined to be of sufficient quantity to support efficient marketing and production systems. It shall also develop and sell to users peripheral land at appropriate times. The corporate environment shall provide for personal development, challenging sense of contribution and the safety and security of its employees. It shall have economic profits at a growth rate sufficient to aid in attracting new capital to achieve corporate objectives.



KEN R. GOOD

Perspec

PRESIDENT
Sifton Properties Limited
BOX 5099 A, LONDON
471-0850

Financial Highlights

(in thousands of dollars)	1974	1973	% Change
Total Assets	\$81,530	\$51,087	+60
Income Producing Properties	38,018	26,968	+41
Shareholders' Equity	7,656	6,270	+22
Total Revenue	22,758	17,926	+27
Revenue From Housing and Land Sales	16,148	13,680	+18
Revenue From Income Producing Properties	6,610	4,246	+56
Net Earnings For The Year	1,508	1,242	+21
Earnings Per Share (in \$)	1.07	.88	+22
Funds Provided From Operations	4,161	2,502	+66

List of Directors

Harry L. Sifton
Honourary Chairman of the Board
of the Company

W. Mowbray Sifton
Chairman of the Board
of the Company

Kenneth R. Good
President
of the Company

Ronald D. Bedard
Vice-President, Marketing & General Manager
of the Company

Harold F. Durkee
Vice-President, Administration & Finance
and Secretary-Treasurer of the Company

Ross M. Hanbury
Consultant

John W. Adams
Executive Vice-President and Treasurer
Emco Limited

Frank F. Wiley
President
S. C. Johnson and Son Limited

Auditors

Coopers & Lybrand
London, Ontario

Fiscal Agents

Wood Gundy Limited
Toronto, Ontario

Registrar and Transfer Agent

The Royal Trust Company
Corporate Trust Department
Stock Section
P. O. Box 7500
Postal Station "A"
Toronto, Ontario, M5W 1P9

Stock Listed

Toronto Stock Exchange

Head Office

P. O. Box 5099
Terminal "A"
London, Ontario, N6A 4M8

To The Shareholders

I am pleased to present the Sifton Properties Limited Annual Report for the year 1974 on behalf of the Board of Directors. The year 1974 was a significant one for the Company and all Divisions operated well to reflect a very successful year, as shown in the following financial highlights.

Gross revenue for 1974 increased to \$22,757,602 from \$17,925,551 in 1973, a 27% increase. Net earnings increased to \$1,508,420 in 1974 from \$1,241,762 in 1973, a 21% increase. Earnings per share based on an average of 1,415,567 shares outstanding increased to \$1.07 from 88¢ in 1973 and funds provided from operations increased to \$4,160,927 from \$2,501,822 or 66% over 1973. The increase in earnings is as a result of increased activity in housing, land and rental revenues.

A significant increase in income properties has occurred in the year with income property assets increasing from \$32,046,589 to \$51,523,863 or an increase of \$19,477,274 in properties completed or under development. A summary of these properties is presented in this report and they will add to the income in 1975. The Company continues to add this type of income producing property to its portfolio for a greater income stream in the future.

The Company has developed an expertise in managing income producing properties and this expertise has been able to pre-lease and keep occupancy at a higher level than comparable areas. The Company

plans to utilize this experience and continue to develop and acquire both types of properties, residential and commercial. Management has found that many people rent before they buy and many of the purchasers of our single family and condominium homes have previously lived in one of the Company's rental properties.

Joint ventures in Florida and the Simcoe-Nanticoke area have commenced operation in 1974 and their results will show in 1975. Arkton Corporation Limited is the Company's 50% joint venture with Ronyx Corporation Limited to build low rise condominiums on Lake Worth in North Palm Beach, Florida. There are 54 units nearing completion with 21 sales to date. Twelve Oaks, a low rise condominium project, is located on an excellent site with many original trees and vegetation and plans for a marina on the lake. Acceptance of the condominium homes has been good but present conditions in the U.S. real estate market suggest a 5 year time table to complete the total project of 351 units.

The Simcoe-Nanticoke joint venture with Victoria Wood Development Corporation Inc. and Revenue Properties Central Developments Limited has started



Interim Report
SIX MONTH PERIOD
ENDED JUNE 30, 1974

To Our Shareholders:

Net earnings for the six months ended June 30, 1974 show an increase over the same period in 1973. Earnings for this period were \$725,642 or 51¢ per share as compared to \$601,263 or 43¢ per share in 1973. Cash flow for the same period increased to \$1.00 per share from 81¢ per share.

The Company has been operating at almost full capacity for the last 12 months because of the strong demand for housing. Shortages, material price increases and delivery problems have been handled with the minimum delays in our sales divisions. International and Canadian monetary conditions as well as recent Ontario Government controls present new problems the Company and the industry must face in the future. The Company sees a normal demand for the single family and condominium house.

The first 88 townhouses of a total 120 townhouses purchased from another landlord owner for conversion from rental townhouses to condominiums are ready for marketing. The initial response has been excellent and the Company is looking for additional units to purchase, rehabilitate and convert to condominiums.

The Company continues to add to the investment properties with an additional \$5,736,849 added during the first six months; a 32,520 square foot office building, 98 units of apartments and 207 townhouse units. The full effect of these new income producing properties is not evident because of start-up costs. The rate of return for the six-month period should improve by year end as these properties become fully occupied.

The Company will be watching the economy very carefully during the next 12 months to make sure the products offered to the public are affordable as well as mortgageable. I would like to thank all employees in all divisions and subsidiaries for their efforts to achieve the results to date.

AUGUST 6, 1974
P.O. BOX 5099 — Terminal "A" PRESIDENT
LONDON, Ontario
N6A 4M8

Sifton
PROPERTIES LIMITED
LONDON ONTARIO



July

SIFTON PROPERTIES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE SIX MONTHS ENDED JUNE 30, 1974

(unaudited and subject to year-end adjustments)

	1974	1973
Housing and Land Sales		
Gross Revenue	\$ 6,366,589	\$ 4,845,719
Direct Costs	4,701,558	3,578,152
Selling, General and Administrative Expenses	651,337	478,373
Depreciation — operating equipment	16,028	14,594
Division Profit	5,368,923	4,071,119
	997,666	774,600
Income Producing Properties		
Gross Revenue	2,792,743	1,917,109
Property Taxes, Maintenance, Administrative and Other Expenses	1,016,257	699,542
Mortgage Interest	1,126,442	678,089
Depreciation	183,610	131,391
Division Profit	2,326,309	1,509,022
	466,434	408,087
	1,464,100	1,182,687
Share of Earnings of 50% Owned Companies	15,542	21,736
Earnings Before Income Taxes	1,479,642	1,204,423
Provision for Income Taxes — Current	264,000	206,720
— Deferred	490,000	396,440
	754,000	603,160
Net Earnings for the Period	\$ 725,642	\$ 601,263
Earnings Per Share	\$.51	\$.43
Common Shares Outstanding	1,415,000	1,412,000

CONSOLIDATED STATEMENT OF SOURCE AND USE OF CASH

FOR THE SIX MONTHS ENDED JUNE 30, 1974

(unaudited and subject to year-end adjustments)

	1974	1973
Source of Cash		
Net Earnings for the Period	\$ 725,642	\$ 601,263
Non-cash items included in the Determination of Net Earnings		
— Depreciation	199,638	145,985
— Deferred Income Taxes	490,000	396,440
Cash Flow From Operations	1,415,280	1,143,688
Mortgage Proceeds Net of Repayments	6,485,482	4,936,710
Decrease in Accounts and Notes Receivable	142,916	208,507
Decrease in Mortgages Receivable	276,790	408,371
Increase in Accounts Payable and Accrued Liabilities	281,140	(345,822)
Increase in Sales and Rental Deposits	48,100	(374,605)
Increase in Income Taxes	57,070	139,307
Increase in Deferred Income Taxes of Subsidiary at Acquisition	128,519	—
Proceeds From Issue of Capital Stock	—	6,510
	8,835,297	6,122,666
Use of Cash		
Increases in Land Held for Development and Property Under Development Net of Estimated Liability to Complete	3,191,041	920,803
Increase in Income Properties	5,352,208	3,056,666
Increase in Investments	964,129	286,426
Decrease in Deferred Income	—	24,200
Increase in Operating Equipment	1,120,189	103,516
Increase in Prepaid Expenses and Other Assets	444,879	49,579
	11,072,446	4,441,190
Increase (Decrease) in Bank Advances	\$ 2,237,149	(\$ 1,681,476)
Cash Flow Per Share	\$ 1.00	\$.81

construction in Simcoe of single family homes and the sale of lots to other builders in 1974. This area should benefit from the demand of the new industries locating in this region. Plans are proceeding on another development of additional lots, apartment and townhouse blocks in Port Dover in co-operation with the Ontario Government's O.H.A.P. program. These lots and blocks should be ready for building in late 1975. The demand is building up in the area and the joint venture plans to be ready to service the needs of the employees and staff of the new industries such as Stelco, Texaco and Ontario Hydro.

The Company has purchased Higgs and Higgs Limited, an equipment rental company, through its wholly owned subsidiary Dynamo Servicing (London) Inc., in order to make Dynamo more competitive in their outside contract work. Dynamo together with the management of Higgs and Higgs who have had many years experience in equipment and equipment rental, will be able to look after Sifton's needs as well as bid competitively for outside municipal servicing contracts. Dynamo Servicing (London) Inc. is a company with an excellent staff and management which will add to the future earnings of the parent company.

The Company has started preliminary concept plans on the properties located on Lake Huron. The property is ideally suited for the second home market, close to the London, Kitchener, Sarnia and Detroit markets. Complete overall planning to include the beach area, marina, as well as the total community, will be planned along with the local and regional authorities. Ever increasing demand for public and private recreational

facilities provides an opportunity for the Company to satisfy these needs with a complete planning approach to a new Leisure Community on one of Ontario's finest lakes, Lake Huron.

Housing, condominium and land sales have continued strong in London (Westmount, Whitehills, Oakridge), Guelph and Sarnia (Corunna). Whitehills and Corunna did not start until late in the year because of delays in zoning and servicing. The Company expects these areas to provide housing in the middle to low price ranges where the greatest demand exists. The condominiums also provide this price range of housing and the Company's acceptance in London and Guelph has been good during 1974. Declining interest rates and stabilizing prices should provide the Company with steady sales in 1975. The Company has booked a normal number of housing orders in the first quarter and these sales will not be recognized until later in the year. This will result in the first quarter not showing the total Company activity during the period.

The Company will continue to adapt to new government policies and programs in order to maintain the sales levels achieved in the past. One of the greatest problems facing the real estate industry is the ever increasing government involvement. Many of these government plans do impede the natural market place action and unfortunately most times decrease the industry's production, rather than increase the output of homes. The real estate development and construction industry and the Company will continue to present their case to the governments, at all levels, through the industry's associations, the Urban Development Institute, the Canadian Institute of Public Real Estate Companies and the Housing and Urban Development Association of Canada.

The Directors wish to express their appreciation and thanks to all employees for their efforts during 1974 and to our shareholders and customers for their continued support during these very unusual and changing times.

On behalf of the Board of Directors



Kenneth R. Good
President

London, Ontario
April 4, 1975

Income Producing Properties

In 1974 Sifton received 29% of its total revenue from income producing properties owned and managed by the Company. These income producing properties included 1945 residential units made up of 1303 townhouses and 642 apartment units as well as 264,000 square feet of retail space, 189,200 square feet of office space and 97,900 square feet of industrial space. At the year end, the Company had 504 residential units under construction with excellent customer acceptance in all areas. The Guelph Stone Road Mall contains 184,000 square feet of net leaseable area and was opened on February 26, 1975 with 90% of the retail and office space leased on opening day. The Company completed several small office and commercial industrial buildings during the year and purchased one office building, 227 Queens Avenue in London, as shown on the summary of income producing properties on page 5 of this report.

Escalating construction and municipal levies continue to plague the industry with these costs outpacing rents in the residential properties. A gradual increase in rental structures has been started in 1974 to ensure a more reasonable return. Many of the properties brought into the income stream in 1974 do not show a full year's operating results.

The commercial income properties are tied to escalation clauses and percentage rents to ensure a steadier income flow. The Company continues to look for existing properties to add to the portfolio as well as construction of additional buildings on Company owned land for pre-leased tenants.

The recent declines in interest rates will make more residential properties economic as shown by the number of townhouse units under construction at year end in London, Guelph and Brantford. The Company plans additional townhouse units in Brantford and London which would be completed in 1975 through to the Spring of 1976.



Summary of Income Producing Properties

Residential Townhouses

London

Berkshire Village	568
Berkshire Village (50% owned)	44
Westmount	190
Millbank	32
Guelph — Priory Park	248
Brantford — Brier Park	221
Total Units	<u>1303</u>

Residential Apartments — London

High rise	455
Low rise	<u>187</u>
Total units	<u>642</u>

Retail Commercial — London

Westmount Mall	252,000
Village stores	<u>12,000</u>
Total square feet	<u>264,000</u>

Office Commercial — London

227 Queens Ave.	32,500
Oakridge Office Centre	44,500
495 Richmond Street (50% owned)	68,900
Nor'West Education	16,600
Berkshire Club	17,900
Executive House	6,500
Professional Building	<u>2,300</u>
Total square feet	<u>189,200</u>

Warehouse Commercial — London

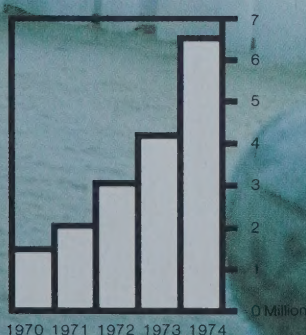
765 Hyde Park	3,200
Nor'West Malls	43,700
First Street	<u>51,000</u>
Total square feet	<u>97,900</u>

Leisure Recreation — Windsor

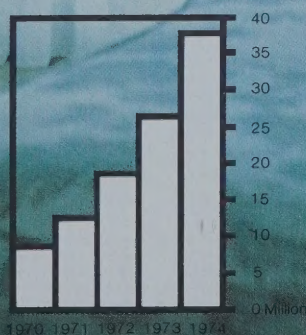
Lakewood Golf Club	18 holes & clubhouse
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Income Producing Properties

REVENUE



ASSETS



Summary of Income Properties Under Development

London

South West One

94 one-floor town home units
with underground parking
Completion — Spring '75

Professional Building

2700 square feet
Completion — Spring '75

Westmount Townhouses

115 units, Completion — Spring '75
103 units, planning stage
Estimated completion — Spring '76

Oakridge Office Centre

11,000 square feet
Completion — Spring '75

Guelph

Stone Road Mall

Phase I — 184,000 square feet in Priory Park
February opening, 1975
Expansion planned for additional 195,000 square feet

Priory Park Townhouses

81 units, Completion — Spring '75
142 units, Estimated completion — Fall '76

Brantford

Brier Park Townhouses

72 units, Estimated completion — Summer '75
80 units, planning stage
Estimated completion — Spring '76

Village Stores

4200 square feet, Completion — Spring '75
Expansion planned for additional 14,000 square feet



Single Family Homes

During 1974, the Company sold and delivered 124 single family homes in London and Sarnia (Corunna). The Company's Whitehills Division in London was late starting and a larger number of homes will be sold in 1975. The Company plans to start a number of single family homes in Brantford in 1975; to this date, the Company has been involved only in the townhouse rental market in this area.

In summary, the Company looks for a good sales year in 1975 in London, Sarnia and Brantford, as well as the joint venture in the Simcoe-Nanticoke area. The product lines have been adjusted to fit the lower and middle price range, in order to appeal to a wider range of buyers.

Condominiums

The Company has experienced good customer acceptance to the condominium homes offered in London and Guelph and has delivered 124 condominiums in the areas during 1974. Product and labour shortages continue to create problems because of the larger number of townhouse units under construction at one time. During recent months, most of these problems have been overcome and the Company has 115 units under construction. Condominium sales are strong and the results for 1975 will add to the Company's total earnings.

The condominium conversion sales program was started in 1974 with currently 70 townhouse units being renovated and renewed ready for sale. During the year, the Company completed the first sales and expects to complete the first stage of this conversion program in 1975.

The Company believes condominiums will be as important a form of ownership as single family in the future and that this form of ownership is one of the solutions to the housing crisis.



Land Development

During the year, the Company sold 107 lots to builders in London in accordance with the Company's policy of servicing other builders in the community. In Simla (Corunna), the Company, in 1975, will sell additional lots to the building industry to help satisfy the increasing demand from new petro-chemical industries such as Petrocar and Union Carbide locating in this community.

During the year, the Company purchased Higgs and Higgs Limited, an equipment rental company, through its wholly owned subsidiary Dynamo Servicing (London) Inc. This acquisition will facilitate the activities of its subsidiary in this important area of the Company's operations. Higgs and Higgs Limited has been associated with the Company for many years and the new association should enable Dynamo to become more active in outside contracts as well as completing the Company's land servicing requirements.

The Company controls 3226 acres of land held for future development in Windsor, Lake Huron, Brantford, Guelph, Simla (Corunna) and London. Most of this acreage is located in the Company's prime trading area, London, with approximately 700 acres located with large water frontage on the Thames River across from the London Hunt and Country Club. This land bank continues to keep the Company supplied with a most important raw material in the industry.

Construction and Building Materials

The Commercial Construction Division had a busy year completing 102 townhouse units, 127 apartment units, 28,700 square feet of commercial warehouse and 2,300 square feet of office space. During the year, they had 94 town home units in London, 115 townhouse units in London, 13,700 square feet of office space as well as the Stone Road Mall, with a net leaseable area of 184,000 square feet, under construction. All income producing properties under construction will be completed in early 1975.

The Commercial Construction Division ended the year with a number of Company projects in the planning stage, as well as a number of outside contracts which they are actively pursuing.

Sifton Properties Limited entered the building and retail supply business in 1973 as a 50% joint venture partner. The joint venture is progressing satisfactorily and the Company plans to add additional locations as proper economic opportunities are available. The strong demand for renovations, do-it-yourself programs and new homes, would indicate the opportunity for the Company to participate in this growth in demand.

Sifton Properties Limited and Subsidiary Companies Consolidated Balance Sheet as at December 31, 1974

Assets	1974	1973
Accounts and notes receivable.	\$ 920,056	\$ 1,043,930
Mortgages receivable, at cost (note 2)	118,926	363,750
Income taxes recoverable	310,934	—
Housing and land under development (note 3)	13,668,910	7,205,873
Land held for future development (note 4).	11,751,833	9,380,164
Income producing properties (note 5).	38,017,595	26,967,725
Income properties under development (note 6).	13,506,268	5,078,864
Investments (note 7).	1,641,503	679,251
Operating equipment (note 8).	1,188,959	239,511
Prepaid expenses and other assets	405,328	128,045
	<u>\$ 81,530,312</u>	<u>\$51,087,113</u>

Signed on Behalf of the Board



Kenneth R. Good
Director



Harold F. Durkee
Director

Liabilities	1974	1973
Bank advances (note 9)	\$ 4,787,491	\$ 1,175,247
Accounts payable	4,858,923	2,856,740
Sales and rental deposits	421,346	276,570
Income taxes	—	252,764
Estimated liability to complete land under development	3,849,161	1,718,559
Mortgage advances on housing and land under development	4,135,517	1,126,505
Mortgages on land held for future development (note 10)	6,395,381	5,100,315
Mortgages on income producing properties (note 10)	36,792,402	25,349,927
Mortgage advances on income properties under development (note 10)	6,770,723	3,797,273
Finance contracts payable on operating equipment	550,871	—
Deferred income taxes	5,312,853	3,163,189
	<u>73,874,668</u>	<u>44,817,089</u>
Shareholders' Equity		
Capital stock (note 11)		
Authorized —		
3,000,000 common shares without par value		
Issued and fully paid —		
1,416,600 shares (1973 — 1,415,000)	1,932,820	1,928,270
Retained earnings	5,722,824	4,341,754
	<u>7,655,644</u>	<u>6,270,024</u>
	<u>\$ 81,530,312</u>	<u>\$ 51,087,113</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Sifton Properties Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants
April 4, 1975

Consolidated Statement of Earnings for the year ended December 31, 1974

	1974	1973
Housing and Land Sales		
Gross revenue	<u>\$ 16,147,678</u>	<u>\$ 13,679,699</u>
Direct costs	12,311,612	10,853,007
Selling, general and administrative expenses (note 12)	1,282,234	1,065,672
Depreciation — operating equipment	<u>228,715</u>	<u>56,857</u>
	<u>13,822,561</u>	<u>11,975,536</u>
Contribution to earnings	<u>2,325,117</u>	<u>1,704,163</u>
Income Producing Properties		
Gross revenue	<u>6,609,924</u>	<u>4,245,852</u>
Property taxes, maintenance, administrative and other expenses	2,345,751	1,593,458
Mortgage interest (note 12)	2,801,078	1,615,592
Depreciation	<u>441,032</u>	<u>323,956</u>
	<u>5,587,861</u>	<u>3,533,006</u>
Contribution to earnings	<u>1,022,063</u>	<u>712,846</u>
	<u>3,347,180</u>	<u>2,417,009</u>
Share of Earnings of 50% Owned Companies and Partly Owned Unincorporated Joint Ventures (note 7)		
	<u>37,240</u>	<u>60,753</u>
Earnings, Before Income Taxes	<u>3,384,420</u>	<u>2,477,762</u>
Provision (recovery) for income taxes — current	(144,000)	296,000
— deferred	<u>2,020,000</u>	<u>940,000</u>
	<u>1,876,000</u>	<u>1,236,000</u>
Net Earnings for the Year	<u><u>\$ 1,508,420</u></u>	<u><u>\$ 1,241,762</u></u>
Earnings Per Share on Average Shares Outstanding (note 11)		
	<u><u>\$ 1.07</u></u>	<u><u>\$.88</u></u>

Consolidated Statement of Changes in Financial Position for the year ended December 31, 1974

	1974	1973
Source of Funds		
Net earnings for the year	\$ 1,508,420	\$ 1,241,762
Non-cash items included in the determination of net earnings — depreciation	669,747	380,813
— deferred income taxes	2,020,000	940,000
— share of earnings of 50% owned companies and partly owned joint ventures	(37,240)	(60,753)
Funds provided from operations	4,160,927	2,501,822
Mortgage proceeds net of repayments	18,720,003	12,742,133
Decrease in mortgages receivable	244,824	508,805
Increase in accounts payable	2,002,183	970,863
Increase in sales and rental deposits	144,776	—
Increase in income taxes	—	207,290
Decrease in accounts and notes receivable	123,874	—
Increase in finance contracts payable on operating equipment	550,871	—
Proceeds from issue of capital stock	4,550	14,280
	<u>25,952,008</u>	<u>16,945,193</u>
Use of Funds		
Increase in accounts and notes receivable	—	307,150
Additions to income properties and operating equipment	20,966,805	10,854,412
Increase in land held for future development and housing and land under development net of estimated liability to complete	6,704,104	2,332,478
Increase in income taxes recoverable	310,934	—
Dividends paid	127,350	84,720
Decrease in sales and rental deposits	—	517,048
Decrease in income taxes	252,764	—
Decrease in account payable on income producing property	—	1,250,000
Increase in investments	925,012	473,557
Decrease in deferred income	—	148,400
Increase in prepaid expenses and other assets	277,283	46,804
	<u>29,564,252</u>	<u>16,014,569</u>
Increase (Decrease) in Bank Advances	<u>\$ 3,612,244</u>	<u>\$ (930,624)</u>

Consolidated Statement of Retained Earnings for the year ended December 31, 1974

	1974	1973
Balance — Beginning of Year	\$ 4,341,754	\$ 3,184,712
Net earnings for the year	1,508,420	1,241,762
Dividends paid	5,850,174	4,426,474
	<u>127,350</u>	<u>84,720</u>
Balance — End of Year	<u>\$ 5,722,824</u>	<u>\$ 4,341,754</u>

Notes to Consolidated Financial Statements for the year ended December 31, 1974

1. Accounting Policies

The Company's accounting policies and standard of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies of which the Company is a member.

Principles of Consolidation

The consolidated financial statements include:

- (i) The accounts of Sifton Properties Limited and all of its wholly owned subsidiaries.
- (ii) The Company's proportionate share of the earnings of its partly owned unincorporated joint ventures on an equity basis (note 7).
- (iii) The Company's proportionate share of the earnings of its 50% owned companies on an equity basis.

Income Recognition

- (i) House Sales. Revenue from the sale of a house is recorded at the time the purchaser takes legal ownership of the property.
- (ii) Condominium Sales. Revenue from the sale of a condominium is recorded at the time the purchaser pays the amount due on closing, is entitled to occupancy, and undertakes to assume a mortgage for the balance of the purchase price.
- (iii) Land Sales. Revenue from the sale of land is recorded on closing provided all material conditions have been fulfilled and a minimum of 15% of the sale price is received in cash. Lot sales are completed on a cash basis and block sales are completed on the basis of a minimum of 15% cash plus short-term mortgage. Land and development costs are pro-rated over the saleable acreage in relationship to its end use.

2. Mortgages Receivable

The current principal portion of the mortgages receivable amounts to \$64,026 (1973 — \$240,269).

3. Housing And Land Under Development

Housing and land under development consist of:

	1974	1973
Housing	\$ 5,052,972	\$ 5,094,032
Land	<u>8,615,938</u>	<u>2,111,841</u>
	<u>\$ 13,668,910</u>	<u>\$ 7,205,873</u>

Land included in housing and land under development is recorded at cost plus applicable carrying charges resulting in a value not in excess of net realizable value.

Income Producing Properties

Income properties under development are transferred to income producing properties when the premises are 70% occupied or one year old, whichever occurs first. The value of the premises transferred includes the costs of construction, carrying charges, leasing costs, an appropriate portion of general and administrative expenses less rental income received to the date of transfer. Subsequent to the transfer revenue from income producing properties is recorded as earned.

Depreciation on Income Producing Properties

Depreciation on income producing properties is recorded on the sinking fund basis over the following terms:

High-rise residential	— 50 years
Low-rise, residential, commercial and industrial	— 40 years

The sinking fund method provides a depreciation charge to income of an amount which increases at the rate of 5% compounded annually. This charge is sufficient to depreciate the buildings over their estimated useful lives.

Deferred Income Taxes

The Company follows the practice of deferring income taxes which would otherwise be payable by claiming for income tax purposes capital cost and other allowances in excess of amounts recorded in the accounts.

Notes to Consolidated Financial Statements for the year ended December 31, 1974

4. Land Held For Future Development

Land is recorded at cost plus applicable carrying charges resulting in a value not in excess of net realizable value. Carrying charges, development

costs and option costs added during the year to the value of land held for future development are as follows:

	1974	1973
Development costs	\$ 495,051	\$ 157,295
Interest	305,245	194,749
Real estate taxes	17,239	11,624
Rental income	(43,176)	(33,360)
Option deposits	100,600	50,178
	<u>\$ 874,959</u>	<u>\$ 380,486</u>

5. Income Producing Properties

The cost of income producing properties and related accumulated depreciation consists of:

	1974		1973	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 4,525,209	\$ —	\$ 4,525,209	\$ 3,458,254
Buildings	33,893,212	1,003,724	32,889,488	22,877,631
Equipment	1,150,351	547,453	602,898	631,840
	<u>\$ 39,568,772</u>	<u>\$ 1,551,177</u>	<u>\$ 38,017,595</u>	<u>\$ 26,967,725</u>

Costs of buildings in the amount of \$8,300,539 (1973 — \$6,348,135) were transferred to income producing properties during the year. Included in the costs are carrying charges and expenses capitalized in the amount of \$292,557 (1973 — \$146,993) rep-

resenting mortgage interest, real estate taxes, an appropriate portion of general and administrative expenses, less rental revenue.

6. Income Properties Under Development

	1974		1973	
	Costs to December 31	Estimated Additional Costs to Complete	Costs to December 31	Estimated Additional Costs to Complete
Residential	\$ 9,502,722	\$ 5,047,000	\$ 4,865,344	\$ 650,000
Industrial	—	—	213,520	20,000
Commercial	4,003,546	1,000,000	—	—
	<u>\$ 13,506,268</u>	<u>\$ 6,047,000</u>	<u>\$ 5,078,864</u>	<u>\$ 670,000</u>

The arranged financing, which had not been received at December 31, 1974, was sufficient to provide for the additional costs to complete the above projects.

Notes to Consolidated Financial Statements for the year ended December 31, 1974

7. Investments

Investments consist of:

	1974	1973
Investment in and advances to —		
50% owned companies	\$ 964,703	\$ 334,853
Unincorporated joint ventures	435,600	194,398
Non-interest bearing notes receivable from		
50% owned company, due — December 31, 1978	150,000	150,000
— on demand	91,200	—
	<u>\$ 1,641,503</u>	<u>\$ 679,251</u>

The Company's portion of current year's earnings (losses) from 50% owned companies amounted to (\$12,404) (1973 — \$52,010). Cumulative earnings to December 31, 1974 amounted to \$62,025 (1973 — \$74,429).

The Company's portion of current year's earnings from unincorporated joint ventures amounted to \$49,643 (1973 — \$8,742). Cumulative earnings to December 31, 1974 amounted to \$70,949 (1973 — \$21,306).

The total cost of share investments in 50% owned companies at December 31, 1974 amounted to \$199,805 (1973 — \$197,805) which was \$78,638

in excess of net book value and it is not the Company's intention to amortize this excess.

In 1974 the Company changed its method of presenting its interest in its 50% owned unincorporated joint venture to a one-line basis. The Company previously included in its financial statements its proportionate share of the individual assets, liabilities, revenue and expenses. The change in presentation has no effect on earnings, as the company continued to account for joint venture results on an equity basis. The appropriate 1973 figures have been restated to give effect to this change.

8. Operating Equipment

These assets consist of automotive, office, plant and heavy equipment valued at cost less accumulated

depreciation of \$355,742 (1973 — \$190,905).

9. Bank Advances

The Company's bank advances are secured by a general assignment of book debts, a collateral specific debenture covering certain land held for

future development, and a collateral floating charge debenture on the assets of the Company.

10. Mortgages on Land Held for Future Development, Income Producing Properties and Income Properties Under Development

Principal repayments due under the mortgage terms over the following five years are as follows:

	Land Held For Future Development	Income Producing Properties and Income Properties Under Development
1975	\$ 670,461	\$ 4,631,059
1976	639,745	960,494
1977	1,411,814	986,730
1978	807,247	945,741
1979	978,098	1,127,933
Previous year's current principal portion	636,222	1,013,960
Weighted average interest rate	7.9%	9.3%

It has been the policy of the Company to negotiate the renewal of mortgages on its income producing properties as they mature. The Company has arranged

long-term financing in respect of four mortgages maturing in 1975 totalling \$3,725,000.

Notes to Consolidated Financial Statements for the year ended December 31, 1974

11. Share Options

The Company established a share option plan in 1970 in which 40,000 common shares of the Company were reserved for allotment. To December 31, 1974, 23,000 options have been granted of which 16,600 have been exercised and 3,600 have expired. One fifth of the options granted must be exercised

each year. During the year, 1,600 shares were issued at prices of \$2.30 and \$3.75 per share amounting to a total cash consideration of \$4,550. If all remaining unexpired options were to be exercised, the dilutive effect on the earnings per share would be immaterial.

12. Interest On Long-Term Debt

Interest incurred on long-term debt during the year amounted to \$3,424,520 (1973 — \$1,946,781) of which \$2,861,262 (1973 — \$1,617,942) has been included in the statement of earnings and \$563,258 (1973 — \$328,839) has been capitalized.

13. Remuneration to Directors and Senior Officers

The aggregate remuneration paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company numbering nine persons for the year ended December 31, 1974 amounted to \$281,243 (1973 — \$271,906), which amount includes \$8,000 in directors' fees (1973 — \$6,000).

14. Contingent Liabilities and Commitments

- (i) The Company has guaranteed bank advances and other indebtedness of its 50% owned companies and its unincorporated joint ventures totalling \$9,406,000, of which \$8,519,000 is secured by real property held in the 50% owned companies and the unincorporated joint ventures.
- (ii) The Company is contingently liable for outstanding letters of credit in favour of certain municipalities totalling \$780,000 at December 31, 1974. The letters of credit are issued to guarantee the Company's performance of land servicing under the terms of various subdivision agreements, the cost of which has been provided for in the financial statements within the estimated liability to complete land under development. In addition, the Company has indemnified a bonding company to the extent of \$150,000 in respect of a performance bond issued in support of land servicing to be performed by one of its unincorporated joint ventures.

- (iii) The Company is liable for future minimum annual lease payments in respect of an income producing property and certain land upon which the Company has constructed an income producing property as follows:

1975 to 1992	\$ 81,600
1993 to 2021	51,600
2022	14,000

It is anticipated the annual minimum lease payments will be recovered through rental income generated from these income producing properties.

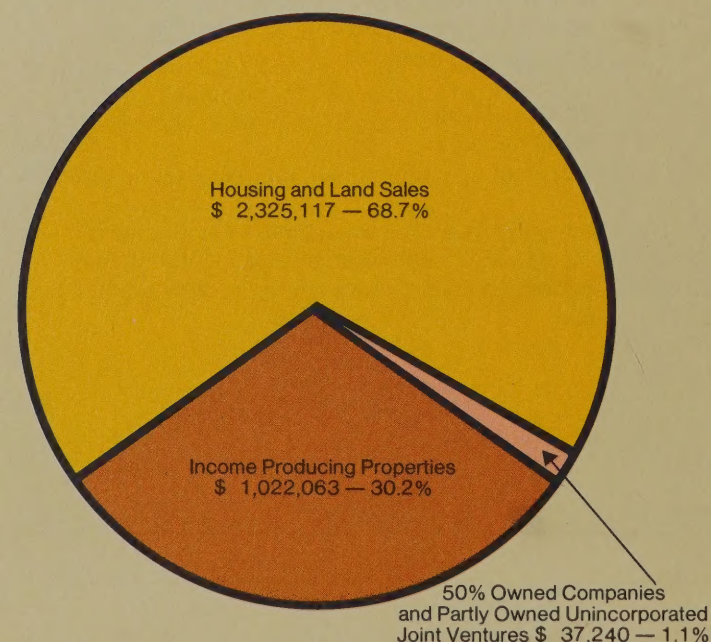
15. Comparative Figures

Certain figures contained in the consolidated financial statements relating to the year ended December 31, 1973 have been reclassified for comparative purposes.

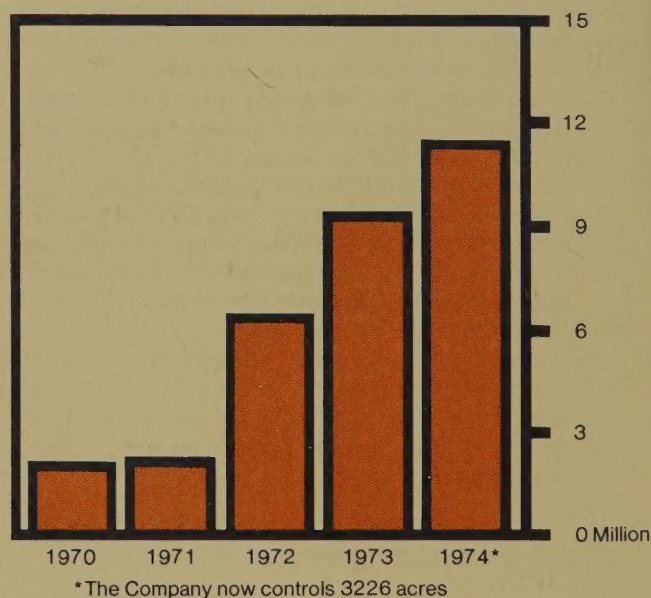
Five Year Financial Review

(in thousands of dollars)	1974	1973	1972	1971	1970
Total Assets	\$ 81,530	\$ 51,087	\$ 40,908	\$ 28,435	\$ 20,643
Land Held For Future Development	11,752	9,380	6,487	2,188	2,055
Income Producing Properties	38,018	26,968	19,256	13,226	9,224
Long-term Debt On Income Producing Properties	36,792	25,350	18,354	11,166	7,679
Shareholders' Equity	7,656	6,270	5,098	4,302	3,794
Total Revenue	22,758	17,926	11,692	6,461	5,469
Revenue From Housing and Land Sales	16,148	13,680	8,642	4,432	3,916
Revenue From Income Producing Properties	6,610	4,246	3,050	2,029	1,553
Share of Earnings of 50% Owned Companies and Partly Owned Unincorporated Joint Ventures	37	61	22	—	—
Net Earnings For The Year	1,508	1,242	821	500	392
Funds Provided From Operations	4,161	2,502	1,745	1,107	904
Per Common Share (in \$):					
Earnings Per Share On Average					
Shares Outstanding	1.07	.88	.58	.36	.28
Dividends	.09	.06	.04	—	—
Shareholders' Equity On Shares					
Outstanding At End of Year	5.40	4.43	3.62	3.06	2.71
Common Shares:					
Outstanding At End of Year	1,416,600	1,415,000	1,409,800	1,404,600	1,401,600
Average Outstanding During The Year	1,415,567	1,412,066	1,407,533	1,403,500	1,400,400

Earnings Before Taxes



Land Held For Future Development



Officers

W. Mowbray Sifton
Chairman of the Board

Kenneth R. Good
President

Ronald D. Bedard
Vice-President,
Marketing and General Manager

Harold F. Durkee
Vice-President,
Administration and Finance
and Secretary-Treasurer

Subsidiary Companies — 100% Owned

Altec Buildings Limited
Hugh F. Drogemuller — Manager

Dynamo Servicing (London) Inc.
A. John Glinavs — President
Verne C. Higgs — Vice-President

The Lakewood Golf Club, Limited
Orest Spooner — Manager

W-G Construction Limited

Berkshire Village Limited

50% Owned Companies

Arkton Corporation Limited

Sifco Investments Limited

Sutherland Properties Limited

Unincorporated Joint Ventures

Block B, Plan 932
For The City of London, Ontario — 50%

Simcoe area joint ventures — 33⅓%

Managers

George E. Avola
Berkshire Village Townhouses

Larry R. Broadley
Stone Road Mall

C. Donald Chamberlain
Shopping Centres Division

Carole D. Cole
Secretarial Group

Dennis M. Dalton, C.A.
Controller

Robert C. Eisfeld
Guelph Division

Harold E. Haines
Brantford Division

Ronald F. Hill
Sarnia Corunna Housing

William C. MacDougall
Office & Industrial Rental Division

Campbell B. MacKenzie
London Condominiums

J. Barry McIlwaine, R.I.A.
Data Processing

Frederick A. Ouseley
Westmount Townhouses
Condominium Conversions

Kenneth E. Romanuk
Commercial Construction Division

Glen R. Sifton
Simcoe Nanticoke Division

George L. Swan
London Apartment Buildings

Robert S. Trumper
Westmount Housing

Warren Wolfenden
Whitehills Housing

